

INSIGHT ON COINAGE

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P.O. Box 65494
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Vol.2 Number 3

April 1991

EDITORIAL

Change, v.1. to make different; or 2. to become different. We are changing. We now have a new name for our newsletter and a new look for the first page to get ready for some new artwork. We hope you are changing also. You should be looking at coins differently because of new ways we have asked you to view coins in these pages. Insight On Coinage is going to make you change because knowledge fosters change.

Change also takes place in the coin industry. We are witness to the biggest changes in the way coins are traded since Numismatics began. Regular readers of Coin World and Numismatic News have front row seats to the action. Recently, one of the "second-tier" third-party grading services (Hallmark) has closed its doors; either a victim to the glut of grading services or the poor coin market. Starting a new business is difficult in the best of conditions. Perhaps, other services are also in trouble.

More change will come as the industry reforms itself before government intervention. "Insiders" know who the rotten apples are. Until they decide it's in their own best interests to expose them, collectors and investors will need to become more knowledgeable about the coins they buy - even those from established grading services!

Many readers will receive the first lesson of our Grading and Authentication Correspondence Course with this issue. Several plan to use our course to change their careers and become coin dealers!

It's nice to operate in comfortable surroundings, looking at familiar sights year-after-year. We get complacent. It's different at the edge, researching subjects for the first time or developing ways to adopt to changes around us. Winners use change to become better at what they do. Insight on Coinage challenges you to change.

TOO HOT TO HANDLE

This month's article was originally written in 1982 while I headed one of the two grading and authentication laboratories existing in the U.S. We think of it as the first "Too Hot to Handle". When we reported our discovery of this extremely hard to see alteration, none of the hobby publications would print the story. It appeared in the Fall, 1982 issue of the INS magazine Numorum. Problems caused by this form of alteration are still unresolved almost ten years later!

First, let's take you back to 1982. The coin market was recovering from the slump of 1980 and did not need more bad news in the form of our discovery! After you read the reprint of our original article on the following pages, we'll explain how this type of alteration still effects coin grading today and show you how to identify it.



figure 1



figure 2

"We believe the phrase 'buy the microscope after the book but before the coin' will become a numismatic axiom in the future. For years, serious numismatists and researchers have used the microscope as a diagnostic tool; but the ever increasing demand for top-quality coins, coupled with the influx of extremely well-made fakes, has made microscopic coin examination necessary for everyone. Heated disagreement with this idea is common, especially from coin dealers with respect to grading... Even the ANA recommends only a 4-8X hand lens be used for grading."

It should be obvious that you can see more of a coin's qualities and imperfections with a microscope. This allows you to make a better determination of its grade based on more accurate information. To illustrate this, let's suppose you have just returned to your room after attending the Awards Banquet at a major coin convention. You feel a sharp pain in your chest so you call the Hotel doctor who comes to your room. The doctor makes a comment about the hotel food, puts his stethoscope to your chest, and diagnoses heartburn; or, the doctor takes you to a major medical facility, examines you with his stethoscope and then gives you an electrocardiogram and stress test before his diagnosis of heartburn. Which scenario would you feel the most comfortable with? In the second case, the doctor used all the tools at his disposal to arrive at his opinion.

"We like to think that the days of the hand lens are over, both because of the quality of deceptive counterfeits and because of the subtle methods of cleaning and altering coins we have seen lately. The photograph in figure 1 is the obverse of a Standing Liberty Quarter magnified to 10X. The coin appears to be a fully lustrous, blazing gem to

the unaided eye. Indeed, it is the kind of 'wonder coin' that many dealers would not even bother to examine with a magnifying glass. Figure 2 shows the upper left area of the same coin viewed with a microscope at 40X. Under the higher magnification, there are hairline scratches over the entire surface of the coin."

These scratches are the result of improper cleaning or light buffing. "A disturbing aspect of this form of alteration is that even with a microscope at high power, the hairlines are usually only visible when the coin is held in certain orientations with the light. For those wondering how microscopic hairlines can affect the grade of a coin or those who will argue that the Industry has set the standards for Uncirculated coins at below 8X, we offer this thought: The diamond industry has set the standard for a flawless diamond as one which shows no inclusions or defects at 10X. The gemologist puts the diamond under a microscope, turns the power up to 40X or 50X to locate the flaws, then backs the power down to 10X to see if they go away. Easy, right? Well, when we go to buy a diamond, we take the two or three "flawless" stones offered and crank the power up to 150X to choose the stone with the fewest flaws at that power! After all, standards can change over time and we want to get the best buy for our money. By the same token, who wants to be holding hairlined coins graded as MS-65 at 4X in 1982?

This article proved to be prophetic. In 1985, the standards of grading coins changed. For many in the hobby, their coins which were graded MS-65 in previous years dropped in grade, sometimes all the way down to MS-63! The changes in standards were a result of many factors including economic conditions. There was also pressure from dealers on the grading services to switch from technical to commercial grading (see ADVICE OR DISSENT). We believe that more change is inevitable as more dealers and collectors put an increasing premium on natural, truly Mint State coins. Even today, when we see coins encapsulated by major grading services which seem to be terribly UNDERGRADED (usually a coin which looks like an MS-65 graded as MS-63) the reason is simple. Nine times out of ten, the graders have detected hairlines from cleaning and because this lowers the coin's commercial value, they assign it a lower grade.

The trick to identify a hairlined coin is to observe its surface very closely as you tip it and rotate it in the light. At the instant the majority of fine parallel hairlines are perpendicular to the light source, they will become visible. Some types of light are better than others. We will discuss this phenomenon in a future article on lighting and magnification. Often, the hairlines are too minute to be seen by most graders who do not use the correct lighting or a stereo-microscope when grading coins!

Maybe, some people or institutions are too resistant to change. Knowledgeable numismatists can accept change when they perceive it makes sense. We have seen altered coins graded as high as MS-67 in slabs, so start looking at your coins closely! Who wants to be holding hairlined, third-party graded and encapsulated coins which were graded as MS-65 in 1991? Sound familiar?

ADVICE OR DISSENT (formerly THE OTHER SIDE OF THE COIN)

Coin Grading, coin grading methods, and coin grading systems change and evolve over time to suit the fancy or whims of those who practice numismatics. The discovery and application of new technologies for grading coins causes periods of even more rapid evolution to occur. Even a simple modern necessity such as a magnifying glass was once a state-of-the-art invention which opened new vistas and was only owned by the extremely wealthy.

We don't know the first time a coin was graded using a magnifying glass or when commercial coin grading began. Both happened a long time ago; and we'll leave it to another writer to research their origins. We were involved in the development and refinement of technical grading and unfortunately, we may be around to see its complete demise.

Technical grading evolved from commercial grading twenty years ago when an old technology, the microscope, was applied to coins. The stereomicroscope was a familiar tool to some numismatists who had used it to authenticate coins as the products of counterfeiters became more sophisticated; but, for whatever the reason (much of it undoubtedly due to ignorance), there was resistance to its use as a tool for grading by coin dealers and those unfamiliar with its benefits.

We first practiced technical grading at the American Numismatic Association Certification Service while it was located in Washington, DC. We had four ways to identify each coin sent to ANACS in addition to its date, denomination and coin type. Each coin was given a control number, photographed, weighed to four decimal places, and graded. A record of the grading determinations was kept on file and not released to the public. The grading was done using a stereomicroscope during the brief amount of time it took us to authenticate each coin. We did not consider our grading to be special or different. We didn't even call it "technical grading" at the time. The origin and originator of that name remains a mystery to us. Years later, when giving grading seminars and lectures we referred to our grading as "ivory-tower" or "archival" because it did not change due to outside influences. We were not concerned with the perceptions or wishes of others or the commercial value of the coins we graded. We were isolated from the marketplace! One's perspective and agenda determines if this isolation was good or bad; nevertheless, we just graded coins using a handy piece of equipment which also gave us the best results!

NOTE: Let me make one point perfectly clear. The grading system and methods which we developed and which evolved into what others came to call "technical grading" were in no way endorsed by the ANA, published, or forced upon collectors and dealers. The setting for their use was an authentication ONLY laboratory - ANACS; and the grading was used for internal identification and record keeping purposes only.

Technical grading as practiced by ANACS (and described in this article) before ANACS was moved from Washington is somewhat different from the ANA endorsed grading practiced by ANACS when it began grading coins for a fee.

Our "identification-purposes-only" grading used a combination of Brown & Dunn, Photograde, and Sheldon as a guide for grading circulated coins. These were standard grading references at the time so there were no surprises here. Sheldon's Grading System for large cents found in his

EXTRA

A few months ago, there was an editorial in Numismatic News about the jargon numismatists use and the need to educate beginners in our hobby about the meanings of these special words.

Being graduates of the Marie Antonette School of Charm, we confess that our reaction to that editorial was "Let them eat cake". In other words, if you want to collect Coins, make it your business to learn the terminology. New collectors have it too easy already; why should we have to alter the way we speak or write for them?

We are mellowing in our old age. In the January issue, we started a "Back To Basics" column to address the terminology issue. Several non-numismatist readers have suggested that there is a need to define many of the words or acronyms we use at a faster rate than one or two per issue. This is the first part of a simplistic glossary for non-collectors. We will explain many of these words in greater detail in our columns and in our Correspondence Course until we are all on the "same wave length".

These words were used in previous issues of our newsletter:

MS: Mint State, Uncirculated, a coin which shows no signs of wear and looks new unless it has been cleaned.

ICTA: Industry Council for Tangible Assets, coin industry lobby group.

ANA: American Numismatic Association, national organization for those interested in coins and related items.

Third-party Grading Service: Business which grades coins for a fee.

PCGS: Professional Coin Grading Service, premier grading service.

NGC: Numismatic Guarantee Corporation, major competition to PCGS.

ANACS: Another third-party grading service (formerly operated by ANA).

Slab: Third-party graded coin encased in plastic.

Sight-Unseen: Method of trading coin slabs without examination.

Slider: Coin which has a small amount of wear (about Uncirculated); but appears Mint State upon quick inspection.

Impact Damage: Marks a coin receives during its existence.

Dipping: Chemical cleaning to remove tarnish and brighten surface.

Planchet: Flat, round bits of blank metal which are the basic forms stamped to make coins.

Branch Mint: Alternate locations where U.S. coins are/were manufactured

Proof-like: Like a Proof, a specially-made coin with a very reflective, mirror surface.

book Penny Whimsey was the only criteria for grading Uncirculated coins available to us. It was very strict but fair. Uncirculated coins must be "free from any trace of wear." Once a coin was judged to be Uncirculated or Mint State, its grade increased within the Uncirculated range by the degree to which its color approached an original, "just minted" look. Color did not play an important role for non-copper coins. The amount of impact damage on the coin and condition of its surfaces were the main criteria used to grade all the other coin types in Mint State.

The biggest difference between our technical grading and the commercial grading practiced outside the authentication laboratory occurred with coins in the About Uncirculated grades and above because of a strict interpretation of the Sheldon Grading Standards for reasons of precision (see Numismatic News 12/4/90 "Viewpoint" on Precise Grading).

The stereomicroscope gave us the ability to grade with much more precision than ever before. Keeping Sheldon's strict definition for Mint State in mind, it was easy to examine a coin with a microscope to determine if it was "free from wear". We were able to view a coin and determine if the disturbances on the high points of its design were from contact marks, storage, or circulation!

It's unfortunate that Sheldon did not direct his grading insight to the analysis of other coin types in the uncirculated ranges. Since we were at the leading edge of coin authentication in the United States it seemed logical for us to extend our expertise into the realm of coin grading and fill this void. We came up with a "modified-Sheldon System" which we used to grade all types of coins.

The strict grading we were using to identify coins differed from the commercial grading done in the marketplace. The first time we ever saw a technically Uncirculated Seated Liberty Quarter at ANACS (before they became available in slabs) we nearly fell off our lab stool! In spite of this, during the same time period, auction catalogues, price lists, and coin shows were full of commercially graded Uncirculated Seated Quarters. Since internal ANACS grading was not discussed outside the lab, the two different grading systems, commercial and technical, could exist side by side with no problems. Both types of coin grading served a different purpose!

Commercial grading had become an exercise in coin valuations rather than an attempt to describe the condition of preservation of a coin. We probably owe much of this attitude to Sheldon who based his entire grading system on the approximate value of a coin. In any case, sometime in the past, the idea of a coin's value and grade were forever intertwined creating an infinite number of variables which continue to confound the creation of a simple, universal grading system.

Our archival or "technical" grading was the EXCEPTION. We were only concerned with a coin's condition after it was minted. Once we made a grade determination, it was necessary to reach an identical opinion if we ever graded the coin again as long as it's condition had not changed. Our precision grading with the aid of a stereomicroscope made this possible because there was less room for error. Coins could be graded the same every time we saw them. This fact, along with records of weight which were also very precise, made the internal records at ANACS very accurate.

As the number of coins we graded using a microscope increased, we gained an appreciation of Sheldon's strict interpretation of Mint State. For example, if you have been grading typical choice slider coins (ever hear the word "cabinet friction" before?) as Uncirculated,

how would you grade a truly Uncirculated coin (one with no trace of wear) when you finally see one? We never had to face this question. When a coin in a perfect state of preservation, from an unknown collection was sent in for authentication, we could grade it Uncirculated and keep it "singled out" from the usual coins of the same type which we received. One of our best kept secrets at ANACS was that, truly Uncirculated coins are much rarer than anyone had imagined! This is particularly true for some coinage metals and coin types.

As long as the two systems were kept separate, none of the many basic conflicts inherent in their use would matter. Unfortunately, the two systems were on a collision course.

In the mid-1970's when the ANA began to research the need for a coin grading service to go along with their authentication service, we were prepared to propose the technical grading system which had served us well in the past. In fact, at the first Grading Roundtable, when a question of feasibility and time requirements for the establishment of a coin grading service were discussed, I stated that ANACS could begin to grade coins "Officially" as soon as we returned to Washington and were authorized to do so by the Board of Governors. This statement was largely ignored because no one at the Roundtable (except the director of ANACS) knew we had been grading coins "technically", with precision, and without problems for years! In addition, none of the ANA Officials, Board members, or distinguished numismatists on the committee which was assembled to write the ANA Grading Standards knew how much practical knowledge and hands-on experience the ANACS authenticators had acquired regarding coin grading.

Circumstances (which we may relate at another time) prevented our proposal from being considered. The two important aspects of our "modified-Sheldon system" which were included in the "new" ANA Grading Standards and form the backbone of technical grading were a disregard of strike and all other pre-minting detractions from influencing the final grade. This kept characteristics like planchet defects separate from the grade determination yet mentioned if warranted.

The ANA moved its authentication service to Colorado Springs and began work on the publication of its Grading Standards in order to have a written guide for its new grading service. The standards were similar in many respects (see above) to those which were originally used at the "old" ANACS; but they differed in important ways. We stayed behind in Washington to help establish the INS Authentication Bureau.

At INS, we kept the strict archival grading which we developed for the internal ANACS records but continued to refine it for our new Grading Bureau. Several months after INS began grading coins for collectors (at no additional cost over the fee for authentication), ANACS announced its coin grading service. Both services used a system which was not based on strike or pre-minting defects found on coins. These systems clashed with the commercial grading in the marketplace during the 1970's which was the status quo.

The second part of this article will deal with our refinements to technical grading, differences between the grading services, the benefits and continued need for technical grading, and the development of commercial grading into the slab revolution.

To be continued...

IMPORTANT CHANGES

We have dated this issue (Vol. 2, No. 3), as April 1991 to more closely match the mailing dates of our Newsletter. Subscribers will still receive 12 issues before it is time to renew. THERE IS NO MARCH ISSUE.

BACK TO BASICS

An important part of a coin, which is often overlooked by many, is its edge. This is often referred to as the "third side of a coin" by numismatists.

The rim is the part of a coin bordering the edge and separates it from the obverse and reverse surfaces (sides). Both the edge and the rim are important for authentication and grading.

In this issue, we take a look at basic types of edge styles found on coins. As one might expect, because of cultural differences and their vast numbers, foreign coins have a much wider variety of edge styles and designs than their U.S. counterparts.

Edge and rim designs were placed on coins in part to protect from "clipping", a practice of removing precious metal from the edges of coins.

Since the 16th Century, edges were often applied as the coin was struck. A knowledge of the edge characteristics found on genuine coins aids with authentication.

* Plain Edge: Usually flat, of various thickness. Microscopically these edges will have various marks made during the minting process, circulation, or mishandling. NO PHOTO (look at a Jefferson nickel)

* Lettered Edge: Raised or incuse (recessed) letters, numbers, figures or geometric designs. Figure 1 & 2

* Engrailed Edge: Angular or curvilinear milling. Figure 3

* Reeded Edge: Perpendicular milling. NO PHOTO (Washington quarter)

* Fancy/Designed Edge: Different shapes or designs, which generally repeat themselves in a definite pattern. Figure 4 & 5

fig. 1

fig. 2

fig. 3

fig. 4

fig. 5



* **HAIRLINES**,n: Minute random scratches of varying degree which result from a variety of causes. They are usually found on the delicate mirror-like surfaces of Proof coins. "Hairlines" are one of the main criteria used to grade Proofs. Since a majority of them are not circulated, the care with which they were preserved from damage, or random hairlines, is very important.

Light buffing, polishing, and improper cleaning or drying also causes "hairlines" on coins. We use the word "HAIRLINED" to describe this form of damage or alteration which can be identified by a pattern of many closely spaced, parallel scratches found on the surface of mistreated or fraudulently altered coins. The effects of these "hairlines" can hide impact damage, and circulation wear by brightening a coin's surface. We refer you back to the TOO HOT TO HANDLE article on the first page to see how dangerous this alteration can be when it is done by a professional. The coin industry is just begining to recognize the dangers this type of treatment presents on NON-PROOF coins.

COMING UP

We have ordered sample copies of a few investment-type letters published by coin firms and individuals. We plan to read them with an eye for "good information" - not necessarily when or what to buy; more for their general numismatic insight and educational worth to investors and collectors. We got the idea after reading the March/April Rosen Numismatic Advisory. It's really good reading. We are also finishing up a book by Bowers for review.

Final dates are being set for seminars in Clearwater and Tampa, Florida this April. We really enjoy teaching collectors how to sharpen their skills at authentication and grading. Our seminars give us a chance to see the U.S., pay for the newsletter, and LEARN from others (Photo).

We have promised to write about magnification and lighting so next month we will. Our views on the subject are 100% different from what is being taught today! WE ARE GOING TO MAKE YOU CHANGE THE WAY YOU VIEW COINS!

Lesson #2 of our Grading Correspondence Course will be in the mail to students before the May issue of Insight on Coinage. This lesson will mark the closing of our first enrollment period. You still have a few weeks to join the group!



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